## CONFIDENTIAL

0-8817 RNH

6 FEB 1950

25X1

The Honorable Lindsay C. Warren Comptroller General General Accounting Office Washington 25, D. C.

Washington 25, D. C.
Dear Mr. Warrens

25X1

25X1

25X1

Enclosed herewith is a request from the

for relief from the assessment of liquidated damages under Contract

with this Agency. The Company was the only

bidder after advertisement by circular letter and public notice on a contract executed 4 May 1949. The contract provides for the delivery of 100 transformer replacement units for radio transmitters. Two preliminary models were to be constructed and submitted to the Government within 60 days from the date notice of award was placed in the mail, and delivery of the remaining 96 units was to be made within 60 days from date of formal acceptance of the preliminary models. ARTICLE 6 of the contract contains a "Delays-Liquidated Damages" clause which provides that "the centractor shall not be charged with liquidated damages or any excess cost when the delay in delivery is due to unforeseeable causes beyond the control and without the fault or negligence of the contractor, including, but not restricted to acts of God or the public enemy, acts of the Government, fires, flood, epidemics, quarantine restrictions, strikes, freight embargoes, unusually severe weather, and delays of a subcontractor due to such causes unless the contracting officer shall determine that the materials or supplies to be furnished under the subcontract are procurable in the open market.

Notice of award of the contract was made on 12 May 1949 and 2 prototype models were received on 24 June. One of these units was found to be unsatisfactory and was returned to the contractor for correction. Time for delivery expired on 12 July. On 13 July, the contractor was notified of the assessment of liquidated damages on the one undelivered unit. On 3 August, the contractor was notified of the acceptance of both prototype models and requested to proceed with production of the balance of 98 units.

By letter dated 3 November, the contractor notified the Agency that the delivery date of 2 October for the remaining 98 medels had been exceeded because a component part obtained from a subcontractor had proved unsatisfactory and the units had to be refabricated after the part was replaced. Contractor then requested waiver of the provisions of ARTICLE 6 in regard to liquidated damages. He was advised by letter of 16 November that the Agency could not legally waive the requirement of liquidated damages. Delivery of the additional units was completed on 18 November.

Approved For Release 2003/07/29 : CIA-RDP80R01731R001300170019-4

CONFIDENTIAL

Jusuel

deficiency in the product of the subcontractor. The fact that the subcontractor was the only source of supply - while not a cognisable reason For a legal escape - is another factor that commands attention from an equitable viewpoint. Although the damages assessed confers to the contract requirements, I do not - as a matter of fact - believe that full assessment is fair and just when all aspects of the case are reviewed. For these reasons I am forwarding the contractor's request with a recommendation that you remit to the contractor under the authority of Section 3 (a) of the Central Intelligence Agency Act of 1949 (P.L. 110 - 81st Cong.) which incorporates by reference the authority contained in the Armed Services Procurement Act of 1947, Title 41 USCA, Section 155, so much of the liquidated damages as are not in excess of low of the entract price.

In view of the classification of the contract as "restricted", since there is a security element present in procurement of this type for the Agency, it would be appreciated if your orinion and comments could be confined to the Agency and not published.

Sincerely yours,

5- via te 76/50

R. H. Hillenkoetter Rear Admiral, USE Director of Gentral Intelligence

CWPrice : hw

co: Subject Chr one Signer's copy Central Records Return to CGC dated

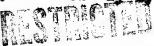
Typed Jan. 31, 1950

25X1

AU	TAC	im	on	ts	2
	1		T.A.		Ä.

- Ltr to CIA fr 2. Ltr to UTC fr
- 3. Ltr to CIA fr
  - 4. Ltr to UTC fr
  - 5. Lts to CIA fr
  - 6. Ltr to UTC fr

  - 7. Ltr to UTC fr 8. Ltr to UTC fr
  - 9. Statement and
- 10. Contract for Supplies dtd May 4.



Y MEMORANDUM TO: Director of Central Intellig THROUGH: Executive, CIA FROM: Assistant Director, OSI  SUBJECT: Request for approval to pay	gence 11 January 1950
THROUGH: Executive, CIA FROM: Assistant Director, OSI	gen ce 11 January 1950
THROUGH : Executive, CIA FROM : Assistant Director, OSI	
	· · · ·
SUBJECT : Request for approval to pay	and the second second
Support i waddest for approvat to pay	2 . 6
employee when called in for	interview
anguary of man one and and are	21 001 1 20W
1. Through another Office, the name of	
Michigan has come to the	ne attention of this office.
	o about and all all of the
q n	
<u>\frac{1}{2} \tag{3} \tag{5}</u>	
3. As Professor of Organic Chemistry,	
	-
trator make him particularly well qualified the Chemistry Division.  5. The scarcity of professional personn experience necessitates that he be interview opportunity.	nel having this combination of
	**
6. It is requested, therefore, that app	roval be granted to bring
to Washington for interview at th	s expunse of UIA.
	/s/
	WITT I DD MA OVIEW
	WILLARD MACHIE
	WILLARD MACHIE
APPROVED 99 LAN 1050	WILLARD MACHIE
23 JAN 1950	WILLARD MACHIE
23 JAN 1950	WILLARD MACHIE
R. H. HILEMOSTIER	WILLARD MACHIE
23 JAN 1950	WILLARD MACHIE

Approve

- AD/OSI

00

- Chief, Pers Div. (thru Pers Director)

RDP80R01731R001300170019-4